

The provisions for regulating the note issues which were adopted in 1863 bear the traces of the English legislation of 1844. They provided for an "uncovered" circulation of 200,000,000 florins (\$100,000,000) and that all notes issued beyond that sum should be covered by gold or silver coin or bullion. The uncovered circulation was required to be protected by commercial paper, by securities deposited for advances, by the coupons of mortgages matured and payable or by mortgage bonds of the bank. This last form of securities was not allowed to exceed 20,000,000 florins and they were accepted for only two-thirds of their nominal value. Gold coin or bullion was at that time allowed to take the place of silver to the extent of only a quarter of the metallic reserve. A decree of October 30, 1868, authorized the bank to count as security for the uncovered circulation bills of exchange drawn upon foreign places, and a law of March 18, 1872, gave the bank discretion as to the proportion of gold and silver to be kept in its reserves.

The attempt to tie the note circulation rigidly to deposits of specie broke down as completely in Austria as it has broken down in England every time that a crisis has occurred. The first suspension of the limit was authorized by the government for a brief period in 1866. The bank was compelled again in 1869 to suspend advances upon private deposits of bullion and did not resume this branch of its business for two years, in spite of the protests of manufacturers and brokers. The bank pursued a very conservative course while the fever of speculation was upon the country, but was unable to come to the rescue of mercantile credit when the crisis of 1873 broke out, because of the limitations upon its circulation. The condition of credit became so critical that the government was obliged to intervene in almost precisely the same manner as in England. A letter was addressed to the bank by the Minister of Finance on May 13, 1873, revoking the provisions of Article 14 of the statutes of the bank, relative to the metallic security for bank-notes, and an ordinance to the same effect was approved by the Diet. The ordinance gave the bank authority to issue notes